

19 Nov 51

MEMORANDUM FOR: Assistant Director for Research and Reports

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FROM :

SUBJECT : Analysis of Beriya Official Speech, 34th Anniversary
of "Socialist Revolution" on Soviet Economy -- 1951Summary and Conclusions

1. The economic gains made by the Soviets in 1951 (projected for the first 10 months), as reported by Lavrentiy P. Beriya, Politburo member and former Chief of the Secret Police (MVD) in his official speech on the 34th anniversary of the "Great October Socialist Revolution", may be summed up generally by his statements "that the national economy plan for 1951 will be fulfilled and exceeded" and that "industrial production as compared with last year has increased by more than 15 percent and will be double the prewar 1940 production". He stated further that the increase in production in the basic industrial branches is 12 percent.

2. This increase has been attributed largely to improvement in technical equipment, which in turn has made possible an increase in

productivity of labor. The latter is said to account for almost two-thirds of the increase in industrial production in the current year.

3. The Beriya speech shows that the Soviets have a 1951 Plan despite the fact that no fifth Five Year Plan has been published as yet. Moreover, that progress in industrial production made under this Plan as reported by Beriya is consistent with that made in recent years and in general is in line with independent estimates, or may be reconciled with them by certain interpretations.

4. Some claims appear exaggerated and no doubt are intended to mislead but, if properly analyzed, may be interpreted as future plans.

5. The somewhat bombastic statements of the Soviets in comparing their production with that of Western Europe and other countries where they can show an advantage may be true by indirection though misleading, and it is significant that they omit comparison with the US, with regard to which their production of petroleum is about one-seventh, their

electric power output about one-quarter, and their steel output less than one-third of those of the US.

1. Introduction.

The economic gains made by the Soviets in 1951 (projected for the first 10 months), as reported by Lavrentiy P. Beriya, Politburo member and former Chief of the Secret Police (MVD) in his official speech on the 34th anniversary of the "Great October Socialist Revolution", may be summed up generally by his statements "that the national economy plan for 1951 will be fulfilled and exceeded" and that "industrial production as compared with last year has increased by more than 15 percent and will be double the prewar 1940 production". He stated further that the increase in production in the basic industrial branches is 12 percent.

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in productivity of labor. The latter is said to account for almost two-thirds of the increase in industrial production in the current year.

2. Summary of Production of Selected Basic Items.

The following table has been compiled from the available data on a few basic items to illustrate the gains made:

Production of Selected Basic Items in the USSR

<u>Source</u>	<u>Steel (Million Metric Tons)</u>	<u>Electric Power (Billion Kilowatt-hours)</u>	<u>Petroleum (Million Metric Tons)</u>
Beriya	31.3	104.0	42.0
1950 Soviet Claims (Bulganin)	27.3	90.0	37.5
1940 Base	18.3	48.2	31.0
1950 Plan Figures	25.4	82.0	35.4

Examination of these data in the light of Soviet claims shows that for the three basic items, steel, electric power, and petroleum, the

increased production of 12 to 15 percent for these items in 1951 over 1950 is correct based on Soviet official figures for both years. Moreover, current CIA figures on these items, while somewhat lower, may be reconciled with Soviet data when interpreted from certain viewpoints.

The claim of double the prewar 1940 production (except for electric power), however, cannot be substantiated if it is applied to the production of the major basic items although it could apply to some items, e.g., synthetic rubber. On the other hand, it can be demonstrated that if this claim is applied to ruble value (estimated by selected 1926-27 prices and by some manipulation of the data), the statement may be proved. The 1940 production in ruble value was 138.5 billions, or 277 rubles when doubled, which is in line with Beriya's statement. Current CIA estimates of these items are somewhat lower than those given by Beriya but on review have been shown to be quite close in most respects.

The 1951 gross industrial production figure (expressed in 1926-27 rubles and indicating a gain of 200 percent of 1940 and 115 percent of

1950 production) is an inadequate barometer of industrial activity. This measure contains a substantial upward bias resulting from two factors:

(1) 1926-27 prices are used as weights for all items whose initial production occurred earlier than 1926-27; and (2) prices for the first year of production are used as weights for all items whose initial production occurred after 1926-27. In both cases, these prices are, in general, higher (relative to prices of non-industrial commodities) than prices for subsequent years.

In any event, substantial gains in industrial production have been made by the Soviets.

3. Credibility of Soviet Claims.

This raises at the outset the question of whether the Soviets are attempting to make misleading statements or to exaggerate in making this claim of double the prewar production. Careful analysis of each of the claims made shows that in spite of the apparent evidence to the contrary,

the Soviets have not in the broad sense exaggerated their figures. Their language is so adroitly chosen, however, that it can readily mislead the unskilled or the unwary, as is no doubt intended. Moreover, one must penetrate certain of their cryptic or ambiguous statements to get at their real meaning. This question will be further illustrated by other examples below in the analysis of their cryptic statements. Their technique no doubt serves the purpose of propaganda for their own people. At the same time, by their ambiguous statements, they are able to present apparently factual data in respect to the major items which can stand direct examination. Even so, many, if not most, of these ambiguous statements afford them a loophole — if indeed they feel that they need one.

The Soviets no doubt believe that a direct presentation of some of their industrial gains is a sufficient basis for justifiable pride, particularly in their statements about increases in production of such major items as steel (also pig iron and rolled steel), crude oil, and electric power.

This year, in contrast to last year, these items are given in direct figures instead of cryptic percentage increases. The Soviets state that they have made an increase of about 4 million metric tons of steel and an annual increase of 4.5 million metric tons of crude oil for 1951 over 1950. The claim that production of 60 million metric tons of crude oil (the goal set by Stalin in 1946 for 1960) will be fulfilled before schedule appears amply justified. Electric power production also is given as a direct figure of 104 billion kilowatt-hours for 1951. There apparently is no attempt at evasion in respect to these items. Soviet figures for pig iron and rolled metal are in line with their steel production and with previously published official figures.

The Soviet statement that electric power production exceeds the output of electric power in the UK and France together is justified by the facts, but it is noticeable that the Soviets do not state that it is about one-quarter of the power output of the US. Similarly, the somewhat boastful

claim of the Soviets that the USSR is now producing roughly as much steel as the UK, France, Belgium, and Sweden together, based on their 1951 estimate, is essentially correct, but the Soviets do not include the statement that they are producing somewhat less than one-third of US steel production.

4. Other Claims Made by the Soviets.

a. Coal.

The claims of the Soviets that "the USSR coal industry today not only meets the requirements of our country but also has insured the creation of the necessary reserves" are conservative and no doubt can be substantiated in all respects with the one possible exception of an immediate supply of a suitable quality of coking coal for all of their growing and future needs.

b. Transportation.

The increase of 11 percent in railroad freight turnover and the claimed increases in river and sea transport appear justified by the available data.

The 1950 plan of 532 billion ton-kilometers for freight turnover was substantially exceeded in that year, and continued progress appears in evidence. On the basis of over 600 billion ton-kilometers actually performed in 1950 and of the claimed 1951 increase of railroad freight turnover of 11 percent, the Soviet boast that the increase almost equals the annual freight turnover of the UK and France falls short of the mark by about 20 percent.

c. Building and Construction

Building and construction have generally lagged in the Soviet Union. The failure to meet the planned output quota is due partly to shortages of mechanical equipment. However, the major cause is lack of emphasis on this program, compared to other industries.

It is believed that cement, brick, and ceramic pipe production in 1951 will be greater than 1950 as there are ample supplies of raw materials available for these products in the USSR. However, an increase of two million tons of cement in one year, as claimed by Beriya, does not seem

Despite claims of increased availability of materials and machinery, the Soviets tacitly admit their backwardness in building and construction in Beriya's statement that "our builders have achieved certain successes in reducing the cost and the time of construction. However, there is still much they have to do. First of all, the organization of work in building sites should be put in proper order, building machinery should be used more productively, work should be better organized and overhead expenditures sharply reduced. Unnecessary expenditure which makes the cost of building more expensive and which is still contained in projects and estimates should be removed".

d. Consumer Goods.

Statements about increased production and availability of consumer goods in general are in line with quarterly USSR reports on the same subject. They appear to indicate a substantial increase in the standard of living, but actually this is not the case.

The percentage increases reported do indicate gradual increases in urban population and the data reflect non-farm consumption as well as changes in the marketing of consumer goods to government-operated stores. The actual increase of consumer goods, if calculated on a per capita basis, might not even be apparent.

In general, while some advances may have been made during the year, the standards of living are still very low in comparison with the West.

e. Technological Advances.

Technological advances in the chemical industry are specifically referred to but are not disclosed except in terms of increased production, principally of fertilizers, insecticides, and synthetic rubber. Beriya states that the latter is to be increased by 20 percent over last year making a total of 296,000 metric tons according to Soviet official data. While this claimed production is much greater than current CIA estimates, even the latter indicate more than double prewar production.

The question likewise may be raised about the machine-building industry with regard to types. An increase of 21 percent is claimed over last year, and this appears reasonable from the available evidence.

The claim that a steam turbine, now under construction, "of a power of 150,000 kilowatts never before produced in the world", is relatively minor, and the statement is incorrect as there are at least several in the US exceeding this size. Moreover, a 200,000 kilowatt turbine is now under construction for the Philadelphia area.

The most important technological advance judging from the results reported appears to be in the production of steel in which it is claimed that the Soviets are exploiting their "blast furnaces in a more productive way; on account of this alone in 1951 an additional 1.35 million metric tons of steel will be produced." Thus, if the claims are true, one-third of this year's increase in steel production has been produced without the building of new blast furnaces and the expenditure of steel for the same.

f. Gains in Labor Productivity.

The claim that productivity of labor in industry was raised by 10 percent appears to be acceptable. The same is true of the growth of population, showing a net increase of approximately 3 million per year. The Soviets recognize that increased productivity of labor is intimately tied in with improvement in technical equipment and improvement in skills of the workers as well as organization of production. Moreover, they state that these factors have made it possible to account for almost two-thirds of the increase in industrial production by increase in the productivity of labor. However, the USSR method of measuring labor productivity (simply an output per man figure) imparts a substantial gain that may be misleading. More refined measures that consider capital equipment and facilities explicitly would indicate considerably less than the 10 percent gain for 1951 over 1950 claimed by Beriya. Their statement about education of technicians and specialists and higher education generally has been substantiated by CIA estimates.

5. Some Cryptic Factors in Beriya's Speech.

No definite production claims were made in connection with the so-called "upsurge in agriculture", but the implications are most important. The statement about gross harvesting of grains in the past few years exceeding 7 billion poods^{1/} annually figures out at about 115 million metric tons biological yield or about 92 million metric tons net in barn, using the usual loss figure of 20 percent from gross or biological yield to net. These claims may have no definite meaning, because they cover a number of years and the relationship between gross and net yields based on Soviet claims is somewhat obscure. For example, last year Bulganin claimed 124 million metric tons or 100 million metric tons net, based on 20 percent loss. Current CIA estimates, as well as averages for the past several years, are somewhat lower than Soviet claims which may indicate that loss factors are larger than those shown or claims based on biological yields are exaggerated. The further statement is made that

^{1/} One pood equals 36.113 pounds

"the extension of irrigated areas and water supply to the fields will make it possible to produce" — "half a billion poods more wheat" per year. This would amount to 106.6 million metric tons (calculated to net in barn on the basis of a 20 percent loss factor) for 1951 if and when the plan is implemented. However, if accepted as applied to current production, the statement would be misleading.

Of still greater significance in connection with possible attempts to mislead, is the application of their statement about "the extension of irrigated areas and water supply" to cotton resulting in the "production of 3 million tons of raw cotton more per year", which, if it were implemented in 1951, would double the Soviet claimed production for 1950. This is grossly misleading if accepted at face value as an accomplished fact. If the statement that the USSR will produce more cotton than India, Pakistan, and Egypt combined is used as an estimate of 1951 production, it would mean, according to their claims, that they produced at

least 3.75 million metric tons of raw cotton, a gain of 0.75 million tons over last year. This would be much more in line with actual production than doubling the yield. Similar claims are made with respect to other agricultural products.

The increase in the socialized herds owned by collective farms and state farms does not necessarily represent an actual increase in total livestock numbers, but is largely due to change in ownership because individual owners have been forced to sell their livestock to the collective farms as a whole. The main obstacle to substantial increases in actual numbers of livestock is the acute shortage of livestock feed.

The increase in mechanization should result in a greater productivity per worker. So far in the Soviet Union the increase in productivity per worker as a result of increased farm machinery has been considerably slower than in the US.

The section of the Beriya speech referring to potential increases in crop and livestock production from the extension of irrigated areas and

water supply assumes the early completion of very large-scale construction projects. The completion of such projects on schedule is hardly likely in view of the difficulties of the projects themselves, the Soviet timetable in overcoming these difficulties, and the highly improbable increases in crop production which has been a perennial problem to the Soviets.

As another example of a claim, the following statement might be interpreted to show an increase in oil refining capacity during 1951 of six million tons per year: that is, about 14 percent of the required capacity based on present crude production. "Work for the building and expanding of oil refineries has developed on a large scale. New works equipped with first class Soviet techniques which began to work this year can by themselves process 6 million tons of oil yearly." The question arises here as to whether work was begun on construction of these plants this year, or whether they have already begun to operate at this capacity. The former conclusion seems much more reasonable in view of an over-all

estimate of the situation. Similar claims less obscure and not as important are made on several other items.

The Beriya speech shows that the Soviets have a 1951 Plan despite the fact that no fifth Five Year Plan has been published as yet. Moreover, that progress in industrial production made under this Plan as reported by Beriya is consistent with that made in recent years and in general is in line with independent estimates. Apparently misleading and exaggerated claims, if properly analyzed, may be interpreted as future plans. The somewhat bombastic statement of the Soviets in comparing their production with that of Western Europe and other countries where they can show an advantage may be true by indirection though misleading, and they significantly omit comparison with the US, with regard to which their production of petroleum is about one-seventh, their electric power output about one-quarter, and their steel output less than one-third of those of the US.

IM-360

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